

TESTIMONY OF SECRETARY OF COMMERCE WILLIAM DALEY

ON THE FISCAL YEAR 1998 BUDGET

BEFORE THE SENATE SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY  
APPROPRIATIONS

MARCH 13, 1997

Mr. Chairman and members of the Committee, I appear today to present the President's FY 1998 \$4.22 billion budget request for the Department of Commerce. This budget supports Commerce programs that are at the very foundation of American economic growth, job creation, and global competitiveness. It reflects the President's vision for our nation as we approach the 21st Century, and it builds on the fine work of my predecessors.

In the last four years, we have come a long way toward getting America's economic house in order. We have created 11.8 million new jobs, pushing our unemployment rate as low as it's been in a quarter century. New business creation and home ownership are as high as they've been since the early '80s. The Misery Index -- the combined unemployment and inflation rates -- is at its lowest since 1968. We have returned to the top of the World Economic Forum's list of the world's most productive economies for three years in a row, and both consumer and business confidence is high. And a budget deficit that was exhausting our savings and growth has been cut by more than sixty percent. Today we are the world's greatest economic power -- the greatest exporter, the finest innovator, the engine that drives the world's prosperity.

The Administration, Congress, and our nation's business leaders and workers should be proud of these accomplishments. But pausing in our efforts to keep America thriving at home and in the lead around the world is not an option. The President, in his State of the Union address, made this challenge perfectly clear when he said, "We face no imminent threat, but we do have an enemy. The enemy of our time is inaction." If we are to finish balancing our budget, to move more Americans from welfare to work, to continue growing our economy and maintain our innovative and competitive edge, we must invest in the communities, technologies, and industries that are our greatest strengths. And we must not squander the opportunities of the day, when we are prosperous at home and at peace in the world.

The role the Commerce Department plays is summed up in our Mission Statement: "To promote job creation, economic growth, sustainable development, and improved living standards for all Americans" We do this by working in partnership with state and local governments, businesses, universities, communities, and workers so that the private sector leads a strong American economy and the dividends ripple throughout the nation.

The FY 1998 budget request for the Department of Commerce is an increase of \$466 million over the FY 1997 level. The Department's budget growth is in three areas -- the Decennial Census, ongoing weather modernization efforts, and technology investments. Outside those three critical areas, the Department's budget stays flat from FY 1997, and even with this increase Commerce's budget remains the smallest of any Cabinet agency. And, perhaps

most importantly, it is fully in line with the President's commitment to a balanced budget in 2002.

This FY 1998 allocation recognizes the role Commerce plays in helping to spur economic growth -- encouraging entrepreneurship, helping find export opportunities, supporting innovation and cutting-edge technologies, managing natural resources, and generating first-rate economic analysis. Taken together, these are the building blocks of economic growth that help the private sector make decisions and investments that create jobs, paychecks, and security for America's families, neighborhoods, and communities.

To fulfill this, our priorities will be:

1) Aggressive Export Promotion and Trade Law Enforcement. On the global economic stage, Commerce will work to open markets, promote exports, and enforce existing trade agreements. We will advocate on behalf of American firms while heading off unfair trade practices. With our new trade mission criteria in place, we will again help the private sector capture growing business opportunities abroad in the face of fierce foreign competition. Also, I am committed to being an active Chairman of the Trade Promotion Coordinating Committee, and will work to ensure that the TPCC plays a central role in improving trade finance and export promotion activities -- beginning with a TPCC steering group meeting I will host before the end of the month to discuss priorities and upcoming initiatives. And since the most promising business opportunities will be export-driven, we will emphasize assisting small- and medium-sized businesses in fulfilling their export potential. Of course our export efforts will continue to be national security-sensitive, so we will enforce laws to insure American exports do not become threats to American interests.

2) Technology for Economic Growth. Technology and innovation -- the elements of our winning economy today and the keys to the global economy tomorrow -- are still top priorities. This Administration has long-considered the private sector a partner in keeping us on the cutting edge. Gone are the days a decade ago when our competitors put technology we developed to better use. Now our technology efforts -- in telecommunications, manufacturing, high-tech, R&D, and commercialization -- pay dividends here at home, in the form of better educated students, more efficient workers, higher paying jobs, and goods and services second-to-none.

3) Expanding Opportunity for All Americans and All Communities. Being strong and ambitious abroad means little if we cast a blind eye toward our workers, businesses, and communities here at home. As America prospers, the rewards should be appreciated in every community, rural and urban. Commerce will continue to work with economically distressed communities and promote minority entrepreneurship to establish businesses and jobs that are the cornerstones of all our neighborhoods.

4) Performing the Best Census in Our Nation's History. Commerce will keep generating economic data and analyses that are thorough market studies of an ever-shifting global economy. The 2000 Census is the most important of those statistical analyses, and not just because it will add to our competitive advantages or decide everything from Congressional representation to budget apportionment. The Census goes to the very heart of what the government does -- it is in many ways the most direct contact people have with their

government. We can serve America well -- re-establishing reasons for faith in our government and proving wrong those who are cynical about bipartisanship -- by working together to conduct a Decennial Census that is accurate, fair, cost-effective, well-managed, and free of politics. I look forward to working with this Committee and with the Congress to fulfill this goal.

5) Resource Management and Environmental Stewardship, Commerce has critical Commerce has critical resource management and environmental monitoring and prediction responsibilities. This budget request will allow America to manage our resources to compete for the future. Most people think natural resources at Commerce means fisheries, but in addition to this multi-billion dollar industry that employs thousands, our resource and weather work helps industries like shipping, airlines, and agriculture -- all multibillion dollar exporters and employers in their own right -- operate safely and efficiently. After all, 80 percent of U.S. foreign trade in heavy goods travels via shipping, which depends on effective charting and mapping systems. And the Department's Automated Weather Information Processing System (AWIPS) program -- which accounts for much of our budget's growth -- will improve weather forecasting to save man-hours, dollars, crops, and most importantly, lives, all while managing to a \$550 million cap.

Like the rest of the Federal Government, the Commerce Department is doing more with less. Over the past six months, Commerce staff has been reduced by three percent -- continuing a four year trend in personnel decreases. The number of political appointees will be reduced by nearly one-third by the end of the year. Management layers have been eliminated and more staffers are working in field offices, where they can better and more responsively serve the American people.

To help our streamlining efforts, Commerce has several innovative management initiatives underway. While not principally a regulatory agency, we must remain focused on ensuring that all regulations of the Department maximize benefits while placing the smallest possible burden on those we regulate. The Bureau of Export Administration has taken a new look at its regulations, and has rewritten many of them, simplified and clarified others, and dropped the remainder. The National Oceanic and Atmospheric Administration is revising and updating its marine resource regulations, eliminating 400 pages of them. The Economic Development Administration has eliminated over 200 of its 370 regulations.

I am determined to continue this reform effort, to make sure the same efficiency and productivity America's private sector has embraced has a home at Commerce. We have already completed an evaluation of Commerce Department led trade missions to make them more accessible and successful. I have other initiatives which I want to discuss with Congress and with the Department's customers, to continue the process of insuring that every program at Commerce justifies itself every day.

I hope, with your help, to establish the Patent and Trademark Office as a Performance Based Organization. This would allow Commerce to run PTO in more like a private sector business operates, with more flexible procurement, simpler personnel rules, and accountability through a CEO. Doing this requires a legislative O.K., but in the hope of helping the PBO process we have submitted a reprogramming proposal to this Committee and your House counterparts that would separate PTO policy functions from operations; would establish three separate business lines in patents, trademarks, and

information dissemination; would reorganize patent examining groups into industry sectors; and would consolidate administrative functions.

I also want to take a look at the Advanced Technology Program to see how it can be strengthened. I believe ATP is a critically important program that provides enormous benefits to our nation's long-term economic prosperity. ATP projects play a special role in fostering technological developments that have long-term payoffs and widespread benefits to the economy as a whole -- the kinds of initiatives that would not otherwise be funded by the private sector. The President's budget provides strong support for this program. Since becoming Secretary, I have heard a number of questions raised -- by you as well as by others -- about the budget process, about the ratio of new projects to old ones, about big companies winning grants outside of consortia, about whether applicants first go to private capital markets for funding, and about whether states lacking strong R&D bases should have a better chance of participating in this program. I want to look at all of these questions in regards to the FY 98 budget, and have asked my staff to consult with public and private experts and ATP participants to prepare an analysis for me. I would be very glad to have the advice of the Committee on these issues and will be back to you within sixty days with my conclusions.

Because I have concerns that there is duplication among the various divisions of the International Trade Administration, I have asked for a reorganization of ITA to do the following:

- reduce administrative costs
- eliminate redundant functions
- strengthen priority programs such as the Compliance Center
- and move more export assistance and trade advocacy resources out of headquarters and into our domestic and overseas field offices.

I would also like to put the criteria that drive the Malcolm Baldrige Quality Awards -- which reward the best private sector management practices -- to work at the Commerce Department, beginning with two of our most publicly accessible and visible agencies, PTO and the National Weather Service. Finally, with an eye on FY 1999, I have ordered a comprehensive management review for the entire Department. A team from my office will examine all of our programs to guarantee Commerce is giving America a real return on the varied investments it makes in the Department, our work, and our workers. In the end, the same productivity and practicality that has helped our nation take the lead in a competitive global economy should be applied to the Commerce Department.

We have covered much ground in the past four years to put America on the right path. It has taken a combination of achievements -- deficit reduction; aggressive exporting; investments in technology and education; smaller, more efficient and responsive government; and fiscal common sense -- to revive our optimism and confidence. Now is not the time to reflect on our accomplishments, but to build on them and tackle the toughest challenges that have eluded our grasp -- a balanced budget, opportunity for every American, more jobs with better career prospects, and a standard of living that makes more Americans contributors to a growing, prosperous America. I believe many

of these challenges get met head-on in the Commerce Department and I am proud of a FY 1998 budget that does not shrink from them. The Department's mission is to keep America prosperous at home by keeping us innovative, vigilant, and strong around the world, and the President's budget helps us fulfill our charge.

Mr. Chairman, this completes my prepared remarks. I will be happy to respond to your questions.